

AR07



MAPLEX
Management & Holdings Limited
1976 Annual Report



OFFICERS & DIRECTORS

Maplex Management & Holdings Limited

Officers:

S.R. BERNARDO, President
R.S. MILLS, Q.C., Secretary
C.A. BLAIR, Treas. & Chief Financial Officer

Directors:

D.M. ALLOWAY,
Toronto

S.R. BERNARDO,
Weston

C.A. BLAIR,
Burlington

S.M. FLETCHER,
Hamilton

R.G. GROOM, Q.C.,
Tillsonburg

J.D. MCNIE,
Hamilton

R.S. MILLS, Q.C.,
Toronto

G.C. NOBLE,
Toronto

Head Office:

60 St. Clair Avenue East,
TORONTO, Ontario M4T 1N5

Transfer Agent:

Canada Permanent Trust Company,
20 Eglinton Avenue West,
TORONTO, Ontario M4R 2E2

Listed:

The Toronto Stock Exchange.
Symbol: MMH

Subsidiaries:

Abstainers' Insurance Company,
3228 South Service Road,
BURLINGTON, Ontario L7N 3H8

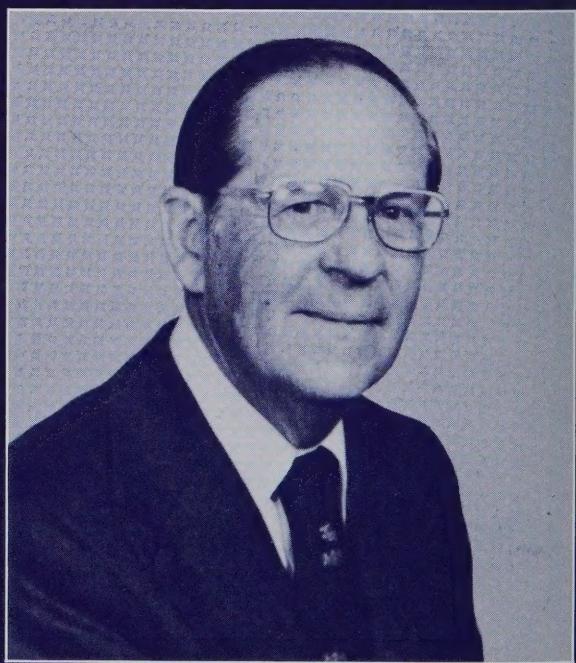
Trans-Canada Investment Corp. Ltd.,
60 St. Clair Avenue East,
TORONTO, Ontario M4T 1N5

Annual Meeting:

2:00 P.M. Saturday, March 5, 1977
3228 South Service Road
BURLINGTON, Ontario L7N 3H8

5 Year Financial Highlights

	1976	1975	1974	1973	1972
Operating Results					
Total Assets (000)	\$9,414	\$7,336	\$6,035	\$5,545	\$5,121
Gross Incomes (000)	7,188	5,315	4,113	3,501	3,321
Net Earnings (000)					
Before extraordinary Item	351	367	189	183	137
After extraordinary Item	351	419	189	261	179
Per Share Statistics					
Shares Outstanding at Year-end	439,187	439,187	404,368	405,368	362,620
Earnings					
Before extraordinary Item	0.80	0.87	0.47	0.48	0.68
After extraordinary Item	0.80	0.99	0.47	0.68	0.88
Dividends Paid	0.125	0.12	0.11	0.10	0.09
Net Worth at Book Value	6.11	5.44	4.92	4.56	4.05



PRESIDENT'S REPORT

to the shareholders of Maplex Management & Holdings Limited

It is a pleasure to present the results of your company to the 5th Annual Meeting of Shareholders. The growth in assets over this period as outlined in the preceding 5 year summary has permitted the Maplex group of companies to provide increased amounts of insurance protection to a growing number of Canadians.

Abstainers' Insurance Company paid \$4,294,000 in accident claims to policyholders in 1976, an increase of 38% over last years \$3,117,000 on premiums earned of \$6,697,000 (\$4,805,000). After paying operating expenses of \$2,394,000 (\$1,682,000) an underwriting profit of \$8,000, (\$6,000) was realized which was added to investment income to produce a net after tax profit of \$390,000 (\$330,000). This amount, less \$60,000 (\$42,000) paid out in the form of common and preferred dividends to shareholders, was added to capital and surplus for the protection of policyholders.

The Ontario Department of Insurance administers a strict set of regulations contained in The Insurance Act designed to ensure the ability of insurance companies operating in Ontario to honour all of their claims. One such regulation requires the companies to maintain specific ratios of capital and surplus to premiums written. It is obvious therefore, that sufficient profits must be earned by the companies and added to surplus for the protection of policyholders in order to provide coverage for escalating liability judgments and property values, and replace insurance premiums written by companies withdrawing from Canada. In direct conflict with this process is the Federal Anti-Inflation Board which would limit insurance company profits in some cases to levels substantially less than can be earned on Canada Treasury Bills currently yielding 8%. In spite of this absurd situation we have reason to believe that legislators are finally getting the message that if we are to protect the integrity of that segment of our financial system bearing fiduciary responsibility to the public, which includes the banks, trust companies and insurance companies, they must be permitted a level of profits sufficient to build surplus for the protection of the depositors and policyholders alike and to attract new capital from the public on reasonable terms in order to expand the volume of business to meet the growing needs of the Canadian public. We think the message is getting through but we have to keep saying it.

Trans-Canada Investment Corporation Limited continues to be active in the exploration of acquisition opportunities for its own operations and those of the Maplex group. The McCaul-McGowan Insurance Agencies Limited wrote insurance pre-

miums in excess of 1,000,000 for the first time in 1976 with an evergrowing number of policyholders which we now estimate to be in excess of 4,000 primarily in the Metro Toronto area.

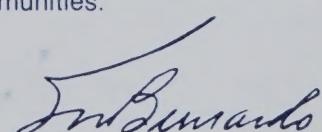
During the year the head office of Abstainers' Insurance Company was moved from its original quarters in Simcoe, to new leased facilities centrally located in Burlington, Ontario to better service the growing volume of business and to gain access to a larger and more specialized labour pool. The former head office in Simcoe is being offered for sale and Maplex has relocated its head office within the Trans-Canada facilities at 60 St. Clair Avenue East, Toronto. Dividends of 12 1/2 cents per share were paid in 1976, the maximum allowable by the Anti-Inflation Board compared with 12 cents paid last year, continuing the practice of annual dividend increases.

Your Board of Directors pays tribute to the late Dr. R.B. Hare in a special section of this report. We welcome the return of Mr. J.D. McNie, one of the founding Directors of both Maplex and Abstainers' Insurance Company, to the Maplex Board following several years of public service as a member of parliament and cabinet minister in the Government of Ontario.

As we review the prospects for 1977 we are greatly encouraged to see that our Government leaders are beginning to acknowledge that inflation is primarily caused by Government spending in excess of current tax revenues which must be paid for in borrowed money and future taxes. We also sense a realization on the part of politicians of the unfairness of imposing controls on the productive private sector to control the inflationary consequences of the Government sector. We are hopeful that profit guidelines will be relaxed in the corporate sector to permit the buildup of capital and surplus upon which capital expansion must be based to create more wealth in the economy as a source of future tax revenue and job opportunities.

Your Board has appointed a Committee to explore the possible acquisition of a second insurance company to service the non-abstainer market and to investigate other companies in the financial services field. Several prospects were considered in 1976 and indications of substantial financial support have been received from both the banking and investment communities.

S.R. Bernardo
President



CONSOLIDATED BALANCE SHEET

As at December 31, 1976

	1976	1975
Assets		
Cash	\$ 132,301	\$ 319,246
Trust funds	37,000	37,000
Accounts receivable	107,149	113,607
Income taxes recoverable		56,115
Accrued interest on investments	48,303	55,062
Marketable securities, at lower of cost and market (quoted market value 1976, \$249,438; 1975, \$97,580)	249,438	94,130
Prepaid expenses		1,814
Investments (note 2)	8,652,121	6,463,612
Fixed assets, at cost		
Land	\$ 15,000	
Building	60,000	
Furniture and equipment	9,123	
Automobiles	25,232	
Leasehold improvements	<u>6,230</u>	
	115,585	
Less accumulated depreciation	<u>26,498</u>	89,087
Organization expense, at cost less accumulated amortization		1,238
Goodwill, at cost	<u>98,907</u>	<u>99,708</u>
	<u>\$9,414,306</u>	<u>\$7,336,735</u>
Liabilities		
Bank indebtedness (note 3)	\$ 204,435	\$ 175,000
Accounts payable and accrued liabilities	257,203	209,218
Provision for unsettled claims and adjusting costs	3,040,605	2,024,784
Unearned premiums at 85%	2,898,758	2,204,378
Mortgages and note payable (note 4)	110,000	122,000
Income taxes payable	<u>6,758</u>	
	6,517,759	4,735,380
Minority interests	<u>210,266</u>	<u>210,441</u>
	<u>6,728,025</u>	<u>4,945,821</u>
Shareholders' equity		
Capital stock		
Authorized		
2,000,000 Common shares of no par value		\$ 175,000
Issued		
439,187 Shares	1,584,746	1,584,746
Retained earnings	<u>1,101,535</u>	<u>806,168</u>
	<u>2,686,281</u>	<u>2,390,914</u>
	<u>\$9,414,306</u>	<u>\$7,336,735</u>

Approved by the Board

C. A. Blair Director

C.A. Blair

S. M. Fletcher Director

S.M. Fletcher

CONSOLIDATED STATEMENT OF INCOME

Year Ended December 31, 1976

	1976	1975
Income		
Premiums earned - net	\$6,696,783	\$4,805,571
Income from investments	450,912	412,032
Gain on sale of securities	21,674	55,770
Management fees and commissions	10,228	34,751
Other	9,174	6,465
	<u>7,188,771</u>	<u>5,314,589</u>
Expense		
Claims	4,294,419	3,117,575
Salaries and commissions	1,741,838	1,265,179
Interest on long-term debt	12,370	8,258
Other	700,068	493,469
	<u>6,748,695</u>	<u>4,884,481</u>
Income before undernoted items	440,076	430,108
Provision for increase (decline) in market value of marketable securities	(17,103)	41,778
	<u>422,973</u>	<u>471,886</u>
Provision for income taxes	70,000	75,000
	<u>352,973</u>	<u>396,886</u>
Minority interests share of earnings	11,782	38,482
	<u>341,191</u>	<u>358,404</u>
Share of earnings of McCaul-McGowan Insurance Agencies Limited	9,882	8,321
Income before extraordinary item	351,073	366,725
Sale of management rights (mutual funds) less related goodwill of \$50,161 and minority interest of \$47,700	<u>52,139</u>	
Net Income	\$351,073	\$418,864

Earnings per share

Based upon the weighted average of shares outstanding during the year:

Before extraordinary item 80¢ 87¢

Before extraordinary items.

After extraordinary item 334 334

CONSOLIDATED STATEMENT OF RETAINED EARNINGS

Year Ended December 31, 1976

	1976	1975
Balance at beginning of year	\$ 806,168	\$ 501,219
Net income	<u>351,073</u>	<u>418,864</u>
	<u>1,157,241</u>	<u>920,083</u>
Dividends paid	54,898	52,343
Tax paid on undistributed income of subsidiary company	808	12,117
Excess of cost over proceeds from sale of company's shares held by subsidiary company	<u>49,455</u>	
	<u>55,706</u>	<u>113,915</u>
Balance at end of year	<u><u>\$1,101,535</u></u>	<u><u>\$806,168</u></u>

CONSOLIDATED STATEMENT OF CHANGES IN FINANCIAL POSITION

Year Ended December 31, 1976

	1976	1975
Funds derived from*		
Net income	\$ 351,073	\$418,864
Common shares issued	24,664	
Proceeds from sale of company's shares held by subsidiary	<u>31,076</u>	
	<u>351,073</u>	<u>474,604</u>
Funds applied to*		
Dividends paid	54,898	52,343
Tax paid on undistributed income of subsidiary company	808	12,117
Increase in company's shares held by subsidiary	<u>7,700</u>	
	<u>55,706</u>	<u>72,160</u>
Increase in net assets	<u><u>\$ 295,367</u></u>	<u><u>\$402,444</u></u>

*For the purpose of this statement funds have been defined
as net assets of the company.

AUDITORS' REPORT

To the Shareholders of
Maplex Management & Holdings Limited

We have examined the consolidated balance sheet of Maplex Management & Holdings Limited as at December 31, 1976 and the consolidated statements of income, retained earnings and changes in financial position for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

Thorne
Riddell & Co.

In our opinion, these consolidated financial statements present fairly the financial position of the company as at December 31, 1976 and the results of its operations and the changes in its financial position for the year then ended in accordance with accounting principles described in note 1, applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 21, 1977

Thorne Riddell & Co.
Chartered Accountants

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Year Ended December 31, 1976

1. Accounting Policies

(a) Basis of Consolidation

The consolidated financial statements include the accounts of Maplex Management & Holdings Limited, its 99.5% owned subsidiary Abstainers' Insurance Company and its 100% owned subsidiary Trans-Canada Investment Corporation Limited. The excess of the cost of the shares over the assigned values of the net assets acquired has been reflected upon consolidation as goodwill. In the opinion of management no diminution of value has occurred and therefore there has been no amortization of goodwill.

The company's interest in McCaul-McGowan Insurance Agencies Limited is accounted for on the equity basis.

The accounts of Abstainers' are presented in accordance with accounting principles prescribed or permitted by the Ontario Department of Insurance.

The accounts of Maplex and Trans-Canada are presented in accordance with generally accepted accounting principles.

(b) Depreciation

The company is using the following rates of depreciation annually on the declining asset balances:

Building	5%
Furniture and equipment	20%
Automobiles	30%
Leasehold improvements	16 2/3%

(c) Income taxes

The income tax charge against operations and the related liability relate to Abstainers' Insurance Company and are calculated using the "taxes payable" method.

2. Investments

1976 1975

Marketable securities, at cost (quoted market value 1976, \$8,326,523; 1975, \$5,583,595)	\$8,515,589	\$6,334,562
McCaul-McGowan Insurance Agencies Limited —		
100% of the outstanding common shares, at cost plus share of earnings since acquisition less dividends received	<u>136,532</u>	<u>129,050</u>

\$8,652,121 \$6,463,612

3. Bank Indebtedness

The bank indebtedness is secured by Maplex's shares of Trans-Canada Investment Corporation Limited.

4. Mortgages and Note Payable

1976 1975

Mortgages		
11% First mortgage, due 1979, interest payable quarterly	\$50,000	\$50,000
12% Second mortgage, due 1979, payable \$1,000 principal plus interest semi-annually	20,000	22,000
Promissory note, payable \$10,000 principal annually plus interest semi-annually	40,000	50,000
	<u>\$110,000</u>	<u>\$122,000</u>

5. Anti-Inflation Legislation

The company is subject to the Anti-Inflation Act which provides, as from October 14, 1975, for the restraint of dividends. The maximum dividend per share that the company can pay or declare in the twelve months ending October 13, 1977 is \$0.24. The subsidiary company, Abstainers' Insurance Company is also subject to the Anti-Inflation Act which provides, as from April 16, 1976 for restraint of net income and compensation. In the opinion of management, this Act will have no material effect upon the consolidated income of the companies for the year ended December 31, 1976.

6. Other Statutory Information

	Maplex	Abstainers'	Trans-Canada
Number of directors	8	10	4
Aggregate remuneration as directors	\$5,300	\$6,400	\$3,300
Number of officers	3	5	3
Aggregate remuneration as officers	\$12,000	\$34,000	\$6,100
Number of officers who are directors	3	5	3

Depreciation and amortization expense for the year amounted to \$14,902 (1975 — \$15,465).

ABSTAINERS' 20TH ANNIVERSARY

Agents Convention in Peterborough



Abstainers' directors and agents at Peterborough convention.



Agents' wives on return from boat trip up the Trent Canal.



Key note speaker Terry Jones, M.P.P.
at Peterborough Agents' convention.

CELEBRATION

Open house in new Burlington Headquarters



Burlington's Mayor G.W. Harrington and W. Kempling, M.P. for Halton cut 20th Anniversary cake at Open House.



Chairman Bernardo and President Blair showing growth charts at Open House.

Miriam Bristo, Mr. Blair's secretary, welcoming Mrs. Blair at Open House.

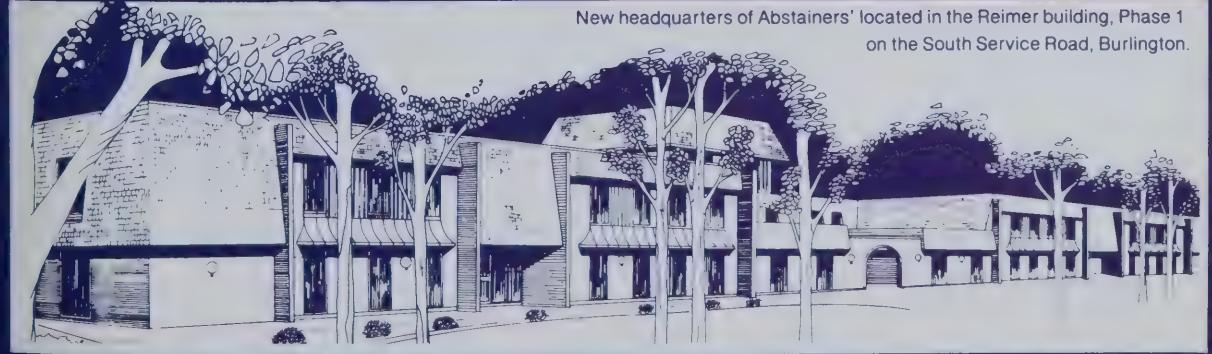


President Blair addresses Open House with Chairman Bernardo, Burlington's Mayor Harrington and W. Kempling, M.P. in background.



Chairman of the Board with members of staff.

New headquarters of Abstainers' located in the Reimer building, Phase 1 on the South Service Road, Burlington.



PRESIDENT'S REPORT

to the shareholders of Maplex Management & Holdings Limited on the operation of
Abstainers' Insurance Company for the year ended December 31, 1976

Abstainers' Insurance Company continued to grow rapidly in 1976 with premiums written increasing by 35%, or over \$2,000,000, to \$7,721,000. Over \$6,000,000 of this amount was written in Ontario and the balance in the Province of Alberta. In accordance with previously indicated Company policy to emphasize property insurance, the number of property policies and renewals issued was increased by 50% in comparison to 12% for auto insurance.

In spite of this continued rapid growth, the Company was able to maintain its loss ratio of claims to earned premiums at 64% for the fourth consecutive year. After the substantial expense of moving the Head Office of the Company from Simcoe to Burlington, the expense ratio to earned premiums was also maintained at 35% for the fifth consecutive year, enabling the Company to show a nominal underwriting profit of \$8,000.

All the increase in premiums was added to the investment portfolio, increasing it to \$8,516,000 from \$6,335,000, or 34%. Investment income for the year increased to \$451,000 from \$399,000, or 13%. However, the indicated annual income for 1977 is over \$600,000, so if the Company can continue to grow rapidly while maintaining an underwriting profit, its earnings before taxes will increase in relation to the much larger invest-

ment portfolio. The Company has no unadmitted assets this year, as the preferred and common stocks in the portfolio had a market value in excess of the purchase price as of December 31, 1976. The book value of all investments was within 2.3% of the market value, a substantial improvement from the 8% applicable at December 31, 1975.

The Company expects to write over \$9,000,000 in premiums in 1977, and to improve customer service from its new Head Office in Burlington to over 40,000 policyholders in Ontario and Alberta through 75 agents in those two provinces.



President

Highlights of 1976

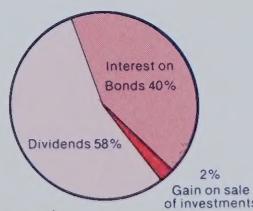
	Amount	Increase over 1975
Total Premiums Written	\$7,721,000	35%
Total Premiums Ontario alone	\$6,208,000	34%
Total Premiums Alberta alone	\$1,513,000	60%
Total Property Premiums	\$1,058,000	63%
Total Auto Premiums	\$6,663,000	33%
Underwriting Profit	\$ 8,000	40%
Investment Income	\$ 451,000	13%
Profit Before Tax	\$ 460,000	13%
Provision for Income Tax	\$ 70,000	(6%)
Net Profit After Taxes	\$ 390,000	18%
Loss Ratio 64% for Fourth Consecutive Year		
Expense Ratio 35% for Fifth Consecutive Year		

ABSTAINERS' 10 YEAR FINANCIAL SUMMARY

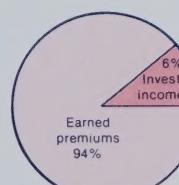
(in thousands except per share amounts and percentages)

	1976	1975	1974	1973	1972	1971	1970	1969	1968	1967
Gross Premiums Written	7721	5,697	3,951	3,377	2,967	3,023	3,152	3,048	2,496	2,038
Reinsurance	330	245	109	197	208	152	164	180	131	79
Net Premiums Written	7391	5,452	3,842	3,180	2,759	2,871	2,988	2,868	2,365	1,959
Premiums Earned (1)	6696	4,805	3,639	2,997	2,704	2,893	2,945	2,696	2,199	1,756
Claims & Adjusting Expenses	4294	3,117	2,340	1,927	1,889	1,970	2,587	2,179	1,411	961
General Expenses	2394	1,682	1,269	1,069	966	921	936	830	706	542
Underwriting Profit (Loss)	8	6	30	1	(150)	3	(578)	(313)	82	254
Investment Income	442	397	344	278	264	254	230	181	132	101
Gain on Sale of Investments	9	2	4	93	198	5	2	198	100	4
Net Profit Before Tax	459	405	378	372	312	257	(346)	67	314	359
Income Taxes	70	75	147	48	none	1	2	(56)	61	141
Net Profit	389	330	231	324	312	256	(348)	123	253	218
Preferred Dividends Paid	10	10	10	10	10	10	10	10	10	10
Common Earnings (1)	379	320	221	314	302	246	(358)	113	243	208
—per share (1)	\$3.08	2.53	1.75	2.48	2.38	1.94	(2.83)	.90	1.92	1.66
Common Dividends	50	32	32	32	32	32	32	32	22	13
—per share	.40	.25	.25	.25	.25	.25	.25	.25	.175	.125
Equity per share (1)(2)	19.65	17.05	14.77	13.28	11.05	8.78	4.90	7.88	11.21	7.83
Industry Loss Ratio	Not Available	72.7%	77.9%	72.6%	69.4%	67.5%	70.8%	73.9%	67.5%	64.4%
Company Loss Ratio	64.1%	64.8%	64.3%	64.3%	69.9%	68.1%	87.9%	80.8%	64.2%	54.7%
Company Expense Ratio	35.7%	35.0%	34.9%	35.6%	35.7%	32.0%	31.3%	28.9%	29.8%	27.7%
Company Combined Ratio	99.8%	99.8%	99.2%	99.9%	105.6%	100.1%	119.2%	109.7%	94.0%	82.4%
Shares Outstanding (2)	127	127	127	127	127	127	127	127	127	125

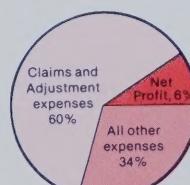
Shares Outstanding have been adjusted for a 2 for 1 stock split in 1968, a 50 for 1 stock split in 1966, and a rights issue in 1965.



INVESTMENT INCOME



SOURCE OF INCOME



APPLICATION OF INCOME



Dr. Robert B. Hare 1891 — 1976

Dr. Robert B. Hare was born in Ottawa, and received his medical degree from the university of Toronto in 1922, after some years as a teacher. His medical training was interrupted by the First World War when he served in the army, was a prisoner of war in Germany, and was the recipient of a certificate signed by Winston Churchill citing him for valuable service. After graduation, he moved to Simcoe in 1925 where he practiced medicine for nearly 50 years. In 1925, Dr. Hare successfully passed the examinations at the Royal College of Surgeons of Edinburgh, entitling him to the degree of F.R.C.S. (Edin). Later he was admitted to both the Canadian and the American College of Surgeons.

He was a great lover of flowers and enthusiastic horticulturist, and brought many rare species from all over the world to his home observatory. He was an active member of the Norfolk Golf and Country Club, and an ardent swimmer.

He was a very active Elder and Sunday School Teacher in St. James United Church, Simcoe. He was Chairman of the Church's Board of Overseas Missions, and Chairman of the Hamilton Conference United Church Men.

He was always interested in the cause of temperance, and at the time of inauguration of Abstainers' Insurance Company was the President of the Norfolk County Temperance Federation. When William Plymat, President of Preferred Risk Insurance Company of Des Moines, Iowa spoke

at the Annual Meeting of the Ontario Temperance Federation in Hamilton early in the 1950's, it was Dr. Hare who moved that the Ontario Temperance Federation investigate the possibility of starting an insurance company for abstainers in Ontario and report back to the next convention. When they reported back that while it was not something they should get involved in, there was nothing to prevent a group of individuals doing so, he persuaded the executive of the Norfolk County Temperance Federation to form the nucleus of a Board of Directors to do just that. He was the determined driving force behind this group, persisting and insisting that whatever had to be done was done to get the company launched. He and Parmer L. Wilson of Burford, still a valued member of the Board of Directors, guaranteed the necessary capital, and a charter was issued for Abstainers' Insurance Company on December 14, 1955. On October 1, 1956, Dr. Hare became the first policyholder of the Company. He was our genial and happy President from the beginning of the Company until 1968, always keenly interested in the staff, and delighted with the growth of the Company.

Dr. Hare was 65 when the Company started, so it was not surprising that 13 years later he should request that a new President be named, and he became the first Chairman of the Board on January 1, 1969, and only when failing health overcame him in November, 1974 did he resign as Chairman. He was an inspiration to all who knew him, and provided much of the spark and the sparkle for the organization as he gave able leadership during the Company's history.

SCHOLARSHIP FUND

The Abstainers' Insurance Company establishes the
Dr. R.B. Hare Scholarship

To Honour its Founder

The Board of Directors of the Abstainers' Insurance Company have directed the President to provide funds in the 1977 Budget to cover scholarship support at McMaster Medical Centre for student research into the use and abuse of alcohol. It was felt this was an appropriate way to recognize the signal contribution and commitment of Dr. R.B. Hare, founder and first president of the company.

The University has been asked to submit a proposal as to how this special fund could appropriately be employed.





MAPLEX

Maplex Management & Holdings Limited
Suite 507, 60 St. Clair Avenue East, Toronto, Ontario M4T 1N5